

Northwest Iowa Area
Solid Waste Agency

FINANCIAL REPORT

June 30, 2005

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Northwest Iowa Area Solid Waste Agency
Officials

| <u>Name</u> | <u>Title</u> | <u>Representing</u> |
|----------------------|------------------------|---------------------|
| Les Brommer | Chairman | Sioux County |
| Bill Imhoff | Vice-Chairman | Osceola County |
| Bernard Smith | Executive Board Member | Sioux County |
| Scott Maggert | Executive Board Member | Sioux County |
| Dan Struve | Executive Board Member | O'Brien County |
| Duane Van Veldhuizen | Executive Board Member | O'Brien County |
| Kevin Welch | Executive Board Member | O'Brien County |
| Gary Benz | Executive Board Member | Osceola County |
| Bob Truckenmiller | Executive Board Member | Osceola County |
| Joe Schnell | Executive Board Member | Clay County |
| Marlin Hilbrands | Executive Board Member | Lyon County |
| Wes Koedam | Executive Board Member | Lyon County |
| Bob Gerber | Executive Board Member | Lyon County |
| Dennis Dokter | Board Member | City of Alton |
| Roger Nelson | Board Member | City of Boyden |
| Jeff Bunkers | Board Member | City of Granville |
| John Solsma | Board Member | City of Hospers |
| Rod Te Krony | Board Member | City of Hull |
| Jerry Burgers | Board Member | City of Rock Valley |
| Duane Feekes | Board Member | City of Orange City |
| Virgil Van Schepen | Board Member | City of Maurice |
| Dennis Burns | Board Member | City of Ireton |
| Tom Kane | Board Member | City of Hawarden |
| Larry Van Donslear | Board Member | City of Archer |
| Blayne Johnson | Board Member | City of Hartley |
| Pat Hill | Board Member | City of Paullina |
| Jim Thompson | Board Member | City of Primghar |
| Robert Draper | Board Member | City of Sutherland |
| Donna Butcher | Board Member | City of Calumet |
| William Honkomp | Board Member | City of Ashton |
| Rose Lloyd | Board Member | City of Harris |
| Arlene Wimmer | Board Member | City of Royal |
| Jerry Johnson | Board Member | City of Sibley |
| Shawn Smith | Board Member | City of Fostoria |
| Allen Hockett | Board Member | City of Dickens |
| Jody Clark | Board Member | City of Greenville |
| Kathy Hegwer | Board Member | City of Rossie |
| Ken Essick | Board Member | City of Webb |
| Jane Mohror | Board Member | City of Peterson |
| Jeff Veldman | Board Member | City of Doon |
| Ivan Stauffer | Board Member | City of George |
| Dan Moen | Board Member | City of Inwood |
| Kenny Schilling | Board Member | City of Little Rock |
| Don DeYong | Board Member | City of Rock Rapids |
| Leonard Vanden Bosch | Board Member | City of Larchwood |

Northwest Iowa Area Solid Waste Agency
Officials - continued

| | | |
|----------------------|------------------------|----------------------|
| Loren Bouma | Alternate Board Member | Sioux County |
| Ron Minten | Alternate Board Member | City of Alton |
| Robert Fischer | Alternate Board Member | City of Granville |
| Aaron Alons | Alternate Board Member | City of Hospers |
| Tom Van Maanen | Alternate Board Member | City of Rock Valley |
| Ted Loucks | Alternate Board Member | City of Orange City |
| Murray Hulstein | Alternate Board Member | City of Sioux Center |
| David Hohbach | Alternate Board Member | City of Matlock |
| Randy Feenstra | Alternate Board Member | City of Hull |
| Debra Korleski | Alternate Board Member | City of Ireton |
| Jeff Novaha | Alternate Board Member | City of Hawarden |
| Ryan Hoekstra | Alternate Board Member | City of Maurice |
| Ken Hoogendorn | Alternate Board Member | City of Boyden |
| Tom Farnsworth | Alternate Board Member | O'Brien County |
| Bonita Elgersma | Alternate Board Member | City of Archer |
| Kent Kunkel | Alternate Board Member | City of Calumet |
| Pam Sease | Alternate Board Member | City of Hartley |
| Ed Bettin | Alternate Board Member | City of Paullina |
| Clara Black | Alternate Board Member | City of Primghar |
| Jim Zuetenhorst | Alternate Board Member | City of Sanborn |
| Eldor Schuerman | Alternate Board Member | City of Sheldon |
| Daryl Stenge | Alternate Board Member | Osceola County |
| Dennis Hatting | Alternate Board Member | City of Ashton |
| Dan Breems | Alternate Board Member | City of Harris |
| Ron Wynia | Alternate Board Member | City of Melvin |
| Kevin Espey | Alternate Board Member | City of Ocheyedan |
| Dan Zulkosky | Alternate Board Member | City of Sibley |
| Mark Thompson | Alternate Board Member | City of Fostoria |
| Steve Simmons | Alternate Board Member | City of Dickens |
| Charles Robert Fritz | Alternate Board Member | City of Webb |
| Bud Meyer | Alternate Board Member | City of Everly |
| Larry Trosin | Alternate Board Member | City of Rossie |
| Pam Virelli | Alternate Board Member | City of Royal |
| Steve Lohr | Alternate Board Member | City of Peterson |
| Larry Landman | Alternate Board Member | Lyon County |
| Marvin Kempema | Alternate Board Member | City of Doon |
| Les Gayer | Alternate Board Member | City of Inwood |
| Bill Henrichs | Alternate Board Member | City of Little Rock |
| Bob Top | Alternate Board Member | City of Rock Rapids |
| Lavonne Reinke | Alternate Board Member | City of Larchwood |
| John Stegeman | Alternate Board Member | City of George |
| Doug Wenzel | Alternate Board Member | City of Lester |
| David Honkomp | Manager | |
| Elliot Waddell | Engineer | |

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Northwest Iowa Area Solid Waste Agency
Sheldon, Iowa

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of Northwest Iowa Area Solid Waste Agency (an intergovernmental organization) as of and for the years ended June 30, 2005 and 2004. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. Generally Accepted Auditing Standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Iowa Area Solid Waste Agency as of June 30, 2005 and 2004, and the results of its operations and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 10, during the year ended June 30, 2004, Northwest Iowa Area Solid Waste Agency adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2005 on our consideration of Northwest Iowa Area Solid Waste Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 5 through 8 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on management's discussion and analysis.

K.F. Murphy Company, P.C.
K.F. MURPHY COMPANY, P.C.

Sheldon, Iowa
August 31, 2005

Northwest Iowa Area Solid Waste Agency
MANAGEMENT'S DISCUSSION AND ANALYSIS

Northwest Iowa Area Solid Waste Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

FINANCIAL HIGHLIGHTS

The Agency's operating revenues increased 12%, or \$113,742, from fiscal 2004 to fiscal 2005. Recycling fees and gate fees increased.

The Agency's operating expenses were 14%, or \$106,998, more in fiscal 2005 than in fiscal 2004.

The Agency's net assets increased 7%, or \$206,366, from June 30, 2004 to June 30, 2005.

USING THIS ANNUAL REPORT

Northwest Iowa Area Solid Waste Agency is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Northwest Iowa Area Solid Waste Agency's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.

The Statement of Net Assets presents information on the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Nets Assets is the basic statement of activities for proprietary funds. This statement presents information on the Agency's operating revenues and expenses, non-operating revenues and expenses, and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Agency's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Agency financed its activities and how it met its cash requirements.

Northwest Iowa Area Solid Waste Agency

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Agency's financial position. The Agency's net assets for fiscal year 2005 total approximately \$3,177,000. This compares to approximately \$2,970,000 for fiscal year 2004. A summary of the Agency's net assets is presented below.

| Net Assets | | |
|---|---------------------|---------------------|
| | June 30, | |
| | 2005 | 2004 |
| Current assets | \$ 1,587,011 | \$ 1,643,977 |
| Restricted assets | 1,371,722 | 1,216,411 |
| Capital assets at cost, less accumulated depreciation | <u>1,226,094</u> | <u>1,050,642</u> |
| Total assets | <u>4,184,827</u> | <u>3,911,030</u> |
| Current liabilities | 92,323 | 75,097 |
| Noncurrent liabilities | <u>915,359</u> | <u>865,154</u> |
| Total liabilities | <u>1,007,682</u> | <u>940,251</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | 1,226,094 | 1,050,642 |
| Restricted | 1,371,722 | 1,216,411 |
| Unrestricted | <u>579,329</u> | <u>703,726</u> |
| Total net asset | <u>\$ 3,177,145</u> | <u>\$ 2,970,779</u> |

A portion of the Agency's net assets (43%) is restricted for closure and postclosure care and for tonnage fees due to the State of Iowa. State and federal laws and regulations require the Agency to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The remaining net assets (57%) are the unrestricted net assets that can be used to meet the Agency's obligations as they come due.

Net assets are presented in the following three components:

Invested in capital assets, net of related debt

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of the bonds and capital lease obligations that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets

Restricted net assets consists of funds on which constraints have been externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments.

Unrestricted fund equity

Unrestricted fund equity has no externally imposed restrictions on use.

Northwest Iowa Area Solid Waste Agency
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the year ended June 30, 2005 and 2004 is presented below:

| Changes in Net Assets | | |
|--|---------------------|---------------------|
| | Year ended June 30, | |
| | 2005 | 2004 |
| Operating revenue | | |
| Gate fees | \$ 772,805 | \$ 728,837 |
| Recycling fees | <u>233,547</u> | <u>163,773</u> |
| Total operating revenue | 1,006,352 | 892,610 |
| Operating expenses: | | |
| Salaries and employee benefits | 394,018 | 372,728 |
| Directors fees and meetings | 3,269 | 3,242 |
| Gas, oil and grease | 55,282 | 40,758 |
| Telephone and utilities | 3,050 | 3,175 |
| Office, shop supplies and tools | 3,899 | 3,244 |
| Repairs and maintenance | 23,728 | 18,350 |
| Payroll taxes | 23,504 | 23,207 |
| Insurance | 47,811 | 48,357 |
| Professional fees | 6,197 | 8,003 |
| Depreciation | 154,176 | 127,104 |
| Advertising | 4,409 | 3,571 |
| Miscellaneous | 464 | 962 |
| Custodial expense | 1,590 | 1,560 |
| Education and training | 0 | 402 |
| Gravel | 9,204 | 6,526 |
| Engineering, hydrological studies and water sampling | 20,335 | 12,913 |
| Recycling expenses | 27,311 | 22,490 |
| Solid waste fee | 25,779 | 24,798 |
| Appliance and tire disposal fees | 12,747 | 9,752 |
| Closure and postclosure costs | <u>50,205</u> | <u>28,838</u> |
| Total operating expenses | <u>866,978</u> | <u>759,980</u> |
| Operating income | <u>139,374</u> | <u>132,630</u> |
| Non-operating revenues: | | |
| Interest income | 59,213 | 45,855 |
| Net farm income | 6,381 | 2,235 |
| Settlement proceeds/Other income | <u>1,398</u> | <u>250,062</u> |
| Total non-operating revenue | <u>66,992</u> | <u>298,152</u> |
| Increase in net assets | 206,366 | 430,782 |
| Net assets beginning of year | <u>2,970,779</u> | <u>2,539,997</u> |
| Net assets end of year | <u>\$ 3,177,145</u> | <u>\$ 2,970,779</u> |

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the fiscal year.

Northwest Iowa Area Solid Waste Agency
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

In fiscal year 2005, operating revenues increased by \$113,742, or 12%, primarily a result of gate fees increasing due to an increase in the volume of collections. Operating expenses increased by \$106,998, or 14%.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees and assessments reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes lease payments and the purchase of capital assets. Cash used by investing activities includes purchase of certificates of deposits, Iowa Investment Trust Fund, and interest income.

CAPITAL ASSETS

At June 30, 2005, the Agency had \$1,226,094 invested in capital assets, net of accumulated depreciation of \$1,640,806. Depreciation charges totaled \$154,176 for fiscal year 2005. More detailed information about the Agency's capital assets is presented in Note 3 to the financial statements.

ECONOMIC FACTORS

Northwest Iowa Area Solid Waste Agency continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

- ? Facilities at the Agency require constant maintenance and upkeep.
- ? Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.
- ? Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Agency anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Agency's ability to react to unknown issues.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Northwest Iowa Area Solid Waste Agency, 4540 360th Street, Sheldon, Iowa.

Northwest Iowa Area Solid Waste Agency
Statements of Net Assets

| | | June 30 | |
|---------------------------------|--|---------------------|---------------------|
| | | 2005 | 2004 |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | \$ 338,037 | \$ 280,560 |
| Certificates of deposit | | 1,001,247 | 994,294 |
| Investments | | 39,498 | 211,333 |
| Accounts receivable | | 139,539 | 90,081 |
| Accrued interest receivable | | 11,638 | 12,040 |
| Prepaid insurance | | 57,052 | 55,669 |
| Total current assets | | <u>1,587,011</u> | <u>1,643,977</u> |
| CAPITAL ASSETS | | | |
| Net of accumulated depreciation | | <u>1,226,094</u> | <u>1,050,642</u> |
| RESTRICTED ASSETS | | | |
| Cash and cash equivalents | | 243,502 | 230,544 |
| Certificate of deposit | | <u>1,128,220</u> | <u>985,867</u> |
| Total restricted assets | | <u>1,371,722</u> | <u>1,216,411</u> |
| Totals | | <u>\$ 4,184,827</u> | <u>\$ 3,911,030</u> |

See notes to financial statements.

| | | June 30 | |
|--|----|--------------|--------------|
| | | 2005 | 2004 |
| LIABILITIES & FUND EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | \$ | 26,076 | \$ 16,996 |
| Solid waste tax payable | | 51,989 | 45,169 |
| Accrued property taxes | | 990 | 924 |
| Compensated absences | | 13,268 | 12,008 |
| Total current liabilities | | 92,323 | 75,097 |
| NONCURRENT LIABILITIES | | | |
| Estimated liability for landfill closure and postclosure costs | | 915,359 | 865,154 |
| Total noncurrent liabilities | | 915,359 | 865,154 |
| Total liabilities | | 1,007,682 | 940,251 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | | 1,226,094 | 1,050,642 |
| Reserved for | | | |
| Tonnage fees retained | | 243,502 | 230,544 |
| Closure and postclosure care costs | | 1,128,220 | 985,867 |
| Unreserved | | 579,329 | 703,726 |
| Total net assets | | 3,177,145 | 2,970,779 |
| Totals | | \$ 4,184,827 | \$ 3,911,030 |

Statements of Revenue, Expenses and Changes in Net Assets

| | June 30 | |
|---|--------------|--------------|
| | 2005 | 2004 |
| REVENUE | | |
| Gate fees | \$ 772,805 | \$ 728,837 |
| Recycling fees | 233,547 | 163,773 |
| Total revenue | 1,006,352 | 892,610 |
| OPERATING EXPENSES | | |
| Salaries and wages | 317,566 | 310,910 |
| Directors and meetings | 3,269 | 3,242 |
| Gas, oil and grease | 55,282 | 40,758 |
| Telephone and utilities | 3,050 | 3,175 |
| Office supplies and services | 3,139 | 2,661 |
| Tools and supplies | 760 | 583 |
| Repairs and maintenance | 23,728 | 18,350 |
| Payroll taxes | 23,504 | 23,207 |
| Pension expense | 15,525 | 15,231 |
| Insurance | 47,811 | 48,357 |
| Employee benefits | 60,927 | 46,587 |
| Professional fees | 6,197 | 8,003 |
| Depreciation | 154,176 | 127,104 |
| Advertising | 4,409 | 3,571 |
| Miscellaneous | 464 | 962 |
| Custodial expense | 1,590 | 1,560 |
| Education and training | - | 402 |
| Gravel | 9,204 | 6,526 |
| Engineering and hydrological study | 16,979 | 9,990 |
| Water sample expense | 3,356 | 2,923 |
| Recycling project | 27,311 | 22,490 |
| Iowa Department of Natural Resources tonnage fee | 25,779 | 24,798 |
| Appliance disposal fees | 9,204 | 9,752 |
| Tire disposal fees | 3,543 | - |
| Closure and postclosure care costs | 50,205 | 28,838 |
| Total operating expenses | 866,978 | 759,980 |
| Operating income | 139,374 | 132,630 |
| NONOPERATING REVENUE | | |
| Interest income | 59,213 | 45,855 |
| Settlement proceeds | - | 250,062 |
| Other income | 1,398 | - |
| Farm income, net of expenses 2004 \$4,491; 2005 \$2,146 | 6,381 | 2,235 |
| Total nonoperating revenue | 66,992 | 298,152 |
| Net income | 206,366 | 430,782 |
| Net assets beginning of year | 2,970,779 | 2,539,997 |
| Net assets end of year | \$ 3,177,145 | \$ 2,970,779 |

See notes to financial statements.

Northwest Iowa Area Solid Waste Agency

Statements of Cash Flows

| | June 30 | |
|---|------------|-------------|
| | 2005 | 2004 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 857,754 | \$1,057,079 |
| Cash paid to suppliers and employees | (620,975) | (603,944) |
| Cash received from farming | 8,527 | 6,726 |
| Cash paid relating to farming | (2,146) | (4,491) |
| Cash received from solid waste tax | 74,759 | 71,915 |
| Net cash provided by operating activities | 317,919 | 527,285 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Purchase of capital assets | (329,629) | (204,744) |
| Net cash (used in) capital and related financing activities | (329,629) | (204,744) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Iowa Investment Trust Fund | (18,000) | - |
| Proceeds from Iowa Investment Trust Fund | 192,000 | 60,000 |
| Purchase of Certificates of Deposit | (149,306) | (383,281) |
| Interest received | 57,451 | 39,002 |
| Net cash provided by (used in) investing activities | 82,145 | (284,279) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 70,435 | 38,262 |
| CASH AND CASH EQUIVALENTS | | |
| Beginning | 511,104 | 472,842 |
| Ending | \$ 581,539 | \$ 511,104 |

See notes to financial statements.

Northwest Iowa Area Solid Waste Agency

Statements of Cash Flows (continued)

| | June 30 | |
|---|-------------------|-------------------|
| | 2005 | 2004 |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS | | |
| PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEETS | | |
| Per balance sheets | | |
| General fund, cash and cash equivalents | \$ 338,037 | \$ 280,560 |
| Restricted fund, cash and cash equivalents | 243,502 | 230,544 |
| Total per statement of cash flows | <u>\$ 581,539</u> | <u>\$ 511,104</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH | | |
| PROVIDED BY OPERATING ACTIVITIES | | |
| Operating income | <u>\$ 139,374</u> | <u>\$ 132,630</u> |
| Adjustments to reconcile operating income | | |
| to net cash provided by operating activities: | | |
| Depreciation | 154,176 | 127,104 |
| Closure and postclosure costs | 50,205 | 28,838 |
| Component of operating income reclassified | | |
| for purposes of reporting cash flows: | | |
| Other income | 1,398 | - |
| Settlement proceeds | - | 250,062 |
| Farm income, net | 6,381 | 2,235 |
| Changes in assets and liabilities | | |
| Decrease (increase) in accounts receivable | (49,458) | 11,120 |
| Decrease (increase) in prepaid insurance | (1,383) | (2,908) |
| Increase (decrease) in solid waste tax payable | 6,820 | (10,829) |
| Increase (decrease) in accounts payable | 9,080 | (10,885) |
| Increase (decrease) in accrued property taxes | 66 | (276) |
| Increase (decrease) in compensated absences | 1,260 | 194 |
| Total adjustments | <u>178,545</u> | <u>394,655</u> |
| Net cash provided by operating activities | <u>\$ 317,919</u> | <u>\$ 527,285</u> |

See notes to financial statements.

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Northwest Iowa Area Solid Waste Agency is an intergovernmental organization organized under the provisions of Chapter 28E of the laws of the State of Iowa for the purpose of providing for the economic disposal and recycling of solid waste generated within each member municipality located in a five county area. Admissions to the Agency is on a voluntary basis, with new members being approved by the existing Board of Directors. The Agency also provides disposal services to private contractors. The Agency, being an intergovernmental organization, is exempt from income taxes.

For financial reporting purposes, the Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. The Northwest Iowa Area Solid Waste Agency has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of the Northwest Iowa Area Solid Waste Agency are organized as an enterprise fund. Enterprise funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Agency applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in conjunction with the Agency's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities, and Net Investments

The following accounting policies are followed in preparing the Statement of Net Assets:

Cash Equivalents - The Agency considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2005 and 2004, include certificates of deposit of \$1,001,247 and \$994,294, respectively.

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets - Funds set aside for payment of closure and postclosure costs are classified as restricted.

Capital Assets - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the useful lives of the assets. Buildings and lease improvements are amortized over twenty-five years and equipment is depreciated over a five to seven year life.

The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the year ended June 30, 2005 or 2004.

Compensated Absences - Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. The Agency's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2005 and 2004.

Net Assets - Net assets are presented in the following three components:

Invested in capital assets, net of related debt - consists of capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of the bonds and capital lease obligations that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets - consists of funds on which constraints have been externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments.

Unrestricted net assets - have no externally imposed restrictions on use.

NOTE 2 CASH AND INVESTMENTS

The Agency's deposits at June 30, 2005 and 2004 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United State government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency's investments at June 30, 2005 and 2004 were as follows:

| | <u>Carrying Amount</u> | <u>Market Amount</u> |
|----------------------------|----------------------------|--------------------------|
| 2005 Iowa Investment Trust | <u>\$ 39,498</u> | <u>\$ 39,498</u> |
| 2004 Iowa Investment Trust | <u>\$ 211,333</u> | <u>\$ 211,333</u> |

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment is summarized by major classification as follows:

| | Balance <u>6/30/2003</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>6/30/2004</u> |
|-------------------------------|-----------------------------|------------------|------------------|-----------------------------|
| Land | \$ 183,046 | \$ - | \$ - | \$ 183,046 |
| Land improvements | 164,868 | 3,456 | - | 168,324 |
| Equipment | 1,494,812 | 28,690 | - | 1,523,502 |
| Buildings | 462,753 | 172,598 | - | 635,351 |
| Office equipment | <u>27,049</u> | <u>-</u> | <u>-</u> | <u>27,049</u> |
| | 2,332,528 | 204,744 | - | 2,537,272 |
| Less accumulated depreciation | <u>(1,359,527)</u> | <u>(127,103)</u> | <u>-</u> | <u>(1,486,630)</u> |
| Totals | \$ 973,001 | \$ 77,641 | \$ - | \$1,050,642 |

| | Balance <u>6/30/2004</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>6/30/2005</u> |
|-------------------------------|-----------------------------|------------------|------------------|-----------------------------|
| Land | \$ 183,046 | \$ - | \$ - | \$ 183,046 |
| Land improvements | 168,324 | 1,340 | - | 169,664 |
| Equipment | 1,523,502 | 323,673 | - | 1,847,175 |
| Buildings | 635,351 | 4,615 | - | 639,966 |
| Office equipment | <u>27,049</u> | <u>-</u> | <u>-</u> | <u>27,049</u> |
| | 2,537,272 | 329,628 | - | 2,866,900 |
| Less accumulated depreciation | <u>(1,486,630)</u> | <u>(154,176)</u> | <u>-</u> | <u>(1,640,806)</u> |
| Totals | \$1,050,642 | \$ 175,452 | \$ - | \$1,226,094 |

NOTE 4 PENSION AND RETIREMENT BENEFITS

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Agency is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$15,525, \$15,231 and \$16,231, respectively, equal to the required contributions for each year.

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 5 RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. July 1, 1990, the Agency joined together with local government agencies in the State to form Iowa Community Assurance Pool (ICAP), a public entity risk pool currently operating as a common risk management and insurance program. The Agency pays an annual premium to ICAP for its general insurance coverage. The agreement for formation of ICAP provides that ICAP will be self-sustaining through member premiums and will reinsure through commercial companies for claims on excess of \$250,000 for each insured event.

The Agency continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 6 MAJOR CUSTOMERS

For the period ending June 30, 2005, three customers accounted for 25% of gate receipts. For the period ending June 30, 2004, two customers accounted for 46% of gate receipts.

NOTE 7 RELATED PARTIES

The Agency collects gate fees in the normal course of business from solid waste carriers who also serve on the Agency's Board. Following is a summary:

| | <u>2005</u> | <u>2004</u> |
|-----------------------|-------------|-------------|
| Gate Fees | \$ 196,732 | \$ 195,675 |
| Receivable at June 30 | 20,333 | 18,040 |

NOTE 8 CLOSURE AND POSTCLOSURE CARE COSTS

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect on the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18, requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The total costs for the Northwest Iowa Area Solid Waste Agency have been estimated at \$1,919,300 as of June 30, 2005 and the portion of the liability that has been recognized is \$915,359. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2005. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 34 years and the capacity used at June 30, 2005 is approximately 48 percent.

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 8 CLOSURE AND POSTCLOSURE COSTS (continued)

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Agency has begun to accumulate resources to fund these costs and at June 30, 2005, assets of \$1,128,220 are restricted for these purposes. They are reported as restricted assets and restricted net assets on the Statements of Net Assets.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the dedicated fund mechanism and the government guarantee.

Chapter 567-111.6(9) of the IAC allows a landfill to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the landfill is not required to establish closure and post closure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

Chapter 567-111.6(8) of the IAC allows a landfill to choose the local government guarantee to demonstrate financial assurance. The guarantee must be a written guarantee jointly provided by the members of the 28E organization.

NOTE 9 SOLID WASTE TONNAGE FEES RETAINED

The Agency has established an account for restricting and using solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa.

At June 30, 2005, the unspent amount retained by the Agency and restricted for required purposes totaled \$243,502.

NOTE 10 ACCOUNTING CHANGE

For the year ended June 30, 2004, the Agency implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

NOTE 11 MEMBER WITHDRAWAL

On February 2, 2004, the Agency approved a withdrawal agreement between the Agency and the City of Spencer. The City of Spencer was required to pay \$250,000 to the Agency pursuant to the terms of the agreement for their share of postclosure and monitoring and maintenance costs based on their pro rata share of waste of 10.7%. The money was paid to the Agency prior to June 30, 2004.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND OTHER MATTERS AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Members of Northwest
Iowa Area Solid Waste Agency:

We have audited the financial statements of the Northwest Iowa Area Solid Waste Agency as of and for the year ended June 30, 2005, and have issued our report thereon dated August 31, 2005.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwest Iowa Area Solid Waste Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for item seven.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northwest Iowa Area Solid Waste Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Northwest Iowa Area Solid Waste Agency's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in item A in the accompanying Schedule of Findings.

Internal Control Over Financial Reporting (continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item A is a material weakness. Prior year reportable conditions have been resolved except for item A.

This report, a public record by law, is intended solely for the information and use of the members and constituents of Northwest Iowa Area Solid Waste Agency and other parties to whom the Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

K.F. Murphy Company, P.C.
K.F. MURPHY COMPANY, P.C.

Sheldon, Iowa
August 31, 2005

NORTHWEST IOWA AREA SOLID WASTE AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2005

Findings Related to the Financial Statements:

Reportable Condition:

- A. Segregation of Duties - An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the preparation of checks, reconciling of the bank statement, and execution of general ledger functions were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Agency should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives to obtain the maximum internal control possible.

Conclusion - Response accepted.

Comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Current year statutory comments are as follows:

1. Official Depositories - A resolution naming official depositories has been adopted by the Agency. The maximum deposit amount stated in the resolution for one bank was exceeded during the year ended June 30, 2005. The Agency approved an increase to the maximum deposit amount in August, 2005.
2. Questionable Expenses - We noted no expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of money for travel expenses of spouses of Agency officials or employees were noted.
4. Board Minutes - No transactions were found that we believe should have been approved in the Agency minutes but were not.
5. Deposits and Investments - The Agency has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.
6. Solid Waste Fees Retainage - During the year ended June 30, 2005, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.
7. Financial Assurance - The Agency has fully demonstrated financial assurance for closure and postclosure care costs as required by Chapter 111 of the Iowa Administrative Code. The Agency has showed financial assurance by establishing a dedicated fund and funding it in accordance with GASB 18 funding rules. The Agency also has a local government guarantee in place for any unfunded amounts.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

K.F. MURPHY COMPANY, P.C.

Sheldon, Iowa
August 31, 2005